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 (2) [Reserved]

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OFFICE OF MANAGEMENT AND BUDGET**Office of Federal Procurement Policy****48 CFR Parts 9903 and 9904**

RIN 0348-AB78

Conformance of Cost Accounting Standards to Generally Accepted Accounting Principles for Operating Revenue and Lease Accounting

AGENCY: Cost Accounting Standards Board, Office of Federal Procurement Policy, Office of Management and Budget.

ACTION: Final rule.

SUMMARY: The Office of Federal Procurement Policy (OFPP), Cost Accounting Standards Board (the Board), is publishing, with additional clarification based on public comments from the notice of proposed rulemaking (NPRM), a final rule revising the Cost Accounting Standards (CAS) to conform them with changes in Generally Accepted Accounting Principles (GAAP) related to operating revenue and lease accounting. This final rule follows issuance of a NPRM, June 27, 2024; an advanced notice of proposed rulemaking (ANPRM), November, 5, 2020; and a Staff Discussion Paper (SDP), March 13, 2019.

DATES: *Effective date:* October 14, 2025.

FOR FURTHER INFORMATION CONTACT: John L. McClung, Manager, Cost Accounting Standards Board (telephone: 202-881-9758; email: john.l.mcclung2@omb.eop.gov).

SUPPLEMENTARY INFORMATION:**I. Background**

On March 13, 2019, the Board published a Staff Discussion Paper (SDP) (84 FR 9143) to solicit views with respect to the Board's efforts to conform CAS requirements, where practicable, to GAAP as required by 41 U.S.C. 1501(c). Respondents were invited to comment on, among other things, whether and how CAS may need to be modified to conform to changes to GAAP that occurred after a related CAS was promulgated. More specifically, the SDP asked what recommended actions, if any, the Board should take regarding the changes in GAAP for operating revenue and lease accounting rules. The Board recognized that since the initial promulgation of CAS 403 (38 FR 26680, Dec. 14, 1972), numerous changes have been made to GAAP. This growth in GAAP content presents opportunities to modify or eliminate overlapping CAS requirements where GAAP standards may be applied reasonably as a substitute for CAS. Furthermore, some changes in GAAP may create inconsistencies not contemplated during the initial promulgations of CAS requiring action by the Board.

Public comments received on the SDP, amongst other things, urged the Board to prioritize efforts to address changes in GAAP related to operating revenue and lease accounting. In response to these comments, the Board issued an advanced notice of proposed rulemaking (ANPRM) on November 5, 2020, (85 FR 70572) that described proposed changes to the CAS that, if adopted, would (i) align CAS with GAAP on the handling of operating revenue and (ii) clarify CAS definitions

to make clear that GAAP changes on lease accounting are not recognized for CAS purposes.

In regards to revenue, comments received from the ANPRM agreed with relying on GAAP for operating revenue. However, they believed the Board's desire to retain the CAS 403 criterion regarding only utilizing the "fee for management contracts under which the contractor essentially acts as an agent of the Government in the erection or operation of Government-owned facilities," was unnecessary. The commenters pointed out the additional conceptual framework GAAP includes related to the principal versus agent relationship in contracts with customers. In regards to lease accounting, comments received from the ANPRM generally agreed with the need for the definitional changes of both tangible and intangible assets to include financing leases and exclude operating leases. However, they believed the Board's proposed language was ambiguous and may not achieve the desired goal of avoiding confusion or inconsistent treatment.

On June 27, 2024, the Board published the NPRM (89 FR 53575). The NPRM made further refinements to the proposed regulatory changes based on the public comments received from the ANPRM and additional research and consideration by the Board. This final rule addresses the public comments received in response to the NPRM and also reflects research accomplished by the Board. The final rule is issued by the Board in accordance with the requirements of 41 U.S.C. 1502(c).

II. Operating Revenue

A. Overview. The definitions of operating revenue in CAS and revenue in GAAP are currently different. The GAAP definition of "revenue," found at Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-20, reads as follows:

"Inflows or other enhancements of assets of an entity or settlements of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations."

The CAS 403-30(a)(3) definition of "operating revenue" reads as follows:

"... amounts accrued or charge[d] to customers, clients, and tenants, for the sale of products manufactured or purchased for resale, for services, and for rentals of property held primarily for leasing to others. It includes both reimbursable costs and fees under cost-type contracts and percentage-of-completion sales accruals except that it includes only the fee for management

contracts under which the contractor essentially acts as an agent of the Government in the erection or operation of Government-owned facilities. It excludes incidental interest, dividends, royalty, and rental income, and proceeds from the sale of assets used in the business.”

In the NPRM, the Board stated its belief that while the underlying definitions are worded differently, revenue as reported by contractors in accordance with GAAP if applied for CAS purposes would achieve materially the same result as applying the current definition of operating revenue in CAS, thereby, achieving uniformity and consistency. The NPRM proposed language to remove the definition of operating revenue from CAS 403 and rely on revenue reported in accordance with GAAP for CAS purposes. In addition, the Board stated its belief that changes, if any, to cost accounting practices to conform Operating Revenue to ASC 606 should be considered to be a required change defined in accordance with 48 CFR 9903.201–6(a)(2). The Board also contemplated an exemption for cost accounting practices, if any, from the cost impact process for the initial conformance efforts to align disclosed practices with ASC 606. Lastly, the Board requested specific input on whether there are any instances where an entity might not consider itself an agent, based on ASC 606–10–55–38 when performing on a Government-owned contractor-operated (GOCO) contract.

B. Public comments. The Board received five sets of public comments in response to the NPRM. Comments came from industry associations, consulting firms, and individuals.

Comment: Four sets of comments generally agreed with the proposed changes and basis described by the Board in the NPRM.

Response: Based on public comments and additional research conducted by the Board, the Board continues to believe that the definition of operating revenue in CAS and revenue in GAAP are essentially equivalent. Furthermore, the Board has not identified any material impact that would occur if revenue as reported in accordance with GAAP was used for CAS purposes. On this basis, the Board has concluded that the CAS 403 definition of operating revenue has become unnecessary to protect the Government’s interests and may be deleted in its entirety to allow for reliance on revenue reported in accordance with GAAP for CAS purposes.

Comment: One commentor believes the Board should focus more on recommendations of the Section 809

Panel instead of CAS–GAAP conformance efforts. The commentor asserts that the Panel’s recommendations, such as raising the thresholds for CAS applicability, full CAS compliance, and disclosure requirements would be a more impactful way of reducing CAS administrative burden and promoting competition.

Response: The Board believes CAS–GAAP harmonization, which is statutorily required, and careful consideration of the section 809 Panel’s recommendations are both deserving of prioritization, as reflected in the Board’s agenda, which was recently published in the **Federal Register** at 90 FR 29048.

Comment: Three sets of comments responded to the Board’s query in the NPRM for specific input on whether there are any instances where an entity might not consider itself an agent, based on ASC 606–10–55–38, when performing on a GOCO contract. One commentor was unaware of any circumstance where this would be the case. Another commentor asserted there could be instances where an entity might not consider itself an agent based on ASC 606–10–55–38, when performing a GOCO contract. The hypothetical provided was an entity producing a good at a GOCO facility and then placing it in its own inventory to be sold later to the government or a third party. In this and other instances where the entity is not an agent, the commentor concludes that the special allocation rules should be used to accommodate exceptions to GAAP when the use of GAAP for determining revenue does not result in an equitable allocation to GOCO segments. Finally, one commentor raised concerns that the “privity of contract” concept could be distorted by prime contractors in making a determination of Agency status for purposes of revenue recognition. They stated that a GOCO agency arrangement should not be the basis to combine otherwise distinct performance obligations.

Response: As noted in the NPRM, the current qualifying language in the definition of operating revenue in CAS relates to contracts where “the contractor acts essentially as an agent of the Government in the erection or operation of Government-owned facilities.” The Board notes that the scenario highlighted by the public appears to be related to production or both production and operation occurring at a GOCO facility. In cases where both activities are occurring on a single contract, these two separate and distinct performance obligations would allow for revenue calculations in

accordance with ACS 606 that would be consistent with the current application of CAS. The Board acknowledges as a factual matter that special allocation rules exist within CAS. These special allocation rules are designed for the parties to consider the unique facts and circumstances, and negotiate if appropriate.

Furthermore, as also noted in the NPRM, while GAAP does not provide an express limitation in measuring revenue, it does recognize a conceptual framework consistent with the intent of the CAS 403 limitation. In determining revenue, GAAP, specifically FASB ASC 606—Revenue from contracts with customers, requires an entity to consider whether it is acting as a principal or an agent for each specified good or service promised to a customer. ASC 606–10–55–38 reads as follows:

“An entity is an agent if the entity’s performance obligation is to arrange for the provision of the specified good or service by another party. An entity that is an agent does not control the specified good or service provided by another party before that good or service is transferred to the customer. When (or as) an entity that is an agent satisfies a performance obligation, the entity recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging the specified goods or services to be provided by the other party. An entity’s fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.”

The relationship of a contractor performing on contracts where “the contractor acts essentially as an agent of the Government in the erection or operation of Government-owned facilities” is similar enough to that of an agent as described in ASC 606–10–55–38, that the Board has concluded that a government contractor would record revenue the same using GAAP, as it would under CAS. For these reasons, the final rule deletes the definition of operating revenue in its entirety from CAS 403 and relies on revenue as reported in accordance with GAAP when needed for CAS purposes.

Lastly, in regards to the concerns raised related to privity of contract, the Board notes that the reliance of revenue as reported by GAAP for CAS purposes does not change, nor should it be construed as changing, any other legal or contractual requirement(s).

Comment: Three commenters addressed the potential cost impact implications of conformance related to the definition of operating revenue. Two believed the proposed changes related to operating revenue fall under the

definition of a required change. They all also believed the Board should exempt changes, if any, related to conformance efforts from the cost impact process by adding to the existing exemption for External Restructuring (see 48 CFR 9903.201–8). The main rationale provided was that the CAS/GAAP conformance efforts are not expected to have a material impact on the Government or contractor; however, the administrative burden associated with preparing and evaluating cost impact proposals could be significant. For example, one comment noted that, since the CAS definition of “operating revenue” and the GAAP definition of “revenue” are essentially the same, the expectation is that there would be no cost impact to the Government or contractors as a result of the change. In addition, they envision that any changes to a contractor’s Disclosure Statement as a result of this change would most likely be an administrative wording change and not a change in cost accounting practice. Another commenter stated they understood why the CAS Board would determine that there is no need for a cost impact to limit the administrative burden associated with immaterial changes. However, this commentator suggested the CAS Board be guarded in proffering whether a cost impact is required, even in this case, as it could lead to contracting parties seeking the CAS Board to opine on individual cost accounting changes. The commentator instead suggested that the Board amend its rules to provide additional general principles on accounting changes so that each contracting officer could determine whether a cost impact is required.

Response: The Board has concluded that proposed changes fall under the definition of a required change. Because the CAS and GAAP definitions of operating revenue are essentially the same, the Board does not anticipate any material impact to the Government or contractors as a result of this change. The Board believes it would not be prudent to make an across-the-board determination that all future CAS/GAAP conformance efforts are required changes, and will continue to evaluate each individual regulatory action related to CAS/GAAP conformance and state its determination as part of the rulemaking. Leaving these determinations to individual contracting officers could cause unnecessary friction, confusion or inconsistency related to the treatment of CAS/GAAP conformance. However, as noted in final regulatory text the exemption only applies to current disclosed practices

where a contractor is required to use the three-factor formula prescribed in CAS 403 for residual expenses, or where their current disclosed and compliant accounting practice includes revenue as a basis for allocating costs to cost objectives. Any change a contractor makes related to their current practice that would make a change to or from using revenue as a basis for allocation would be treated as a unilateral change and subject to the normal cost impact and resolution process.

C. *Final Rule.* Based on public comment and additional research conducted by the Board, the Board has concluded the definition of operating revenue in CAS and revenue in GAAP are essentially equivalent. The CAS 403 definition of operating revenue has become unnecessary to protect the Government’s interests and, therefore, is deleted in its entirety to allow for reliance on revenue as reported in accordance with GAAP for CAS purposes. The Board has also concluded that properly disclosed accounting changes, if any, related to the elimination of the definition of operating revenue to rely on revenue as reported in accordance with GAAP ASC 606 is a required change as described at 48 CFR 9903.201–4(a), and exempt from the cost impact process.

These actions are consistent with the Board’s guiding principles for conforming CAS to GAAP because it eliminates CAS content minimizing burden on contractors while protecting the interests of the Government. Furthermore, relying on GAAP for the definition of operating revenue in CAS 403 aligns with the guiding principles to rely on coverage in GAAP when it materially achieves uniformity and consistency in cost accounting without bias or prejudice to either party and protects the Government’s interests.

Therefore, the Board is issuing a final rule that (i) modifies CAS 403 to rely on GAAP for revenue and (ii) exempts changes directly associated with conformance of Operating Revenue to revenue reported in accordance with GAAP from the contract price and cost adjustment requirements of part 9903. The final rule also removes the term “operating” in relation to revenue in CAS 403. The Board has concluded this change is necessary to avoid confusion and make clear that the definition of revenue in GAAP is consistent with “operating revenue” as historically used in CAS.

III. Lease accounting

A. *Overview.* Since the initial promulgations of CAS 414 and 417, changes have been made to GAAP

related to lease accounting, creating confusion about which assets are included in the calculations of Facilities Capital Cost of Money (FCCOM). The classification of “right-of-use” (ROU) assets, formerly known as operating leases, as assets and liabilities, required clarification from the Board to avoid confusion or inconsistent treatment. In the NPRM, the Board proposed clarifications to the CAS definitions and handling of tangible and intangible assets to make clear that GAAP requirements to classify “right-of-use” assets on an entity’s balance sheet should not be recognized as assets for the purpose of computing FCCOM in CAS 414 and CAS 417.

B. *Public comments.* The Board received five sets of public comments in response to the NPRM. Comments came from industry associations, consulting firms, and individuals. Three sets of these comments discussed the substance of the rule related to lease accounting.

Comment: All commenters supported the Board’s intent to clarify which assets should be included in the calculations of FCCOM. However, one commentator noted confusion in terminology based on the proposed changes included in the NPRM. They asserted no changes are needed to the existing definitions of tangible capital asset in 48 CFR 9904.403–30(a)(5), 9904.404–30(a)(4), 9904.409–30(a)(3), 9904.414–30(a)(5), and 9904.417–30(a)(2). As a result, they recommended the Board limit the definition of ROU assets to intangible assets in 48 CFR 9904.414–30(a)(4) and 9904.417–30(a)(1). They are concerned that changes proposed in the NPRM could be construed as applying the financial accounting rules governing tangible capital assets to ROU assets acquired under finance leases. They noted that a ROU asset, by definition, is an intangible asset acquired in a lease. It is the right, obtained under a lease, to use the underlying asset. While a finance lease generally includes a transfer of ownership of the underlying asset, it is still considered an intangible asset until that transfer occurs. They noted that with the current intangible asset definition, there is no need to distinguish ROU assets acquired in finance leases from ROU assets acquired under operating leases. They suggested the Board could accomplish the desired outcome and avoid confusion by simply adding, “[i]t includes right-of-use assets acquired under leases” to the end of the existing CAS definition of intangible asset. They also suggested that if the Board adopts the approach of revising only the definition of intangible capital asset to address ROU assets, a conforming change to CAS 9904.403–

50(c)(1)(iii) would be needed to add the value of ROU assets acquired in finance leases to the three-factor formula.

Response: The Board appreciates the breath and careful consideration of unintended consequences by commentors. After consideration of the concerns raised and additional research, the Board concurs that the changes should be limited to the definition of intangible assets with the recommended conforming change to the three-factor formula.

Comment: Another commentor recommended the Board expand the scope of the NPRM to address International Financial Reporting Standards (IFRS) lease accounting requirements. They are concerned that foreign entities subject to IFRS will be subject to increased unallowable interest expense as a result of IFRS requirement to recognize interest expense as part of ROU asset lease payments. They acknowledge that foreign concerns are exempt from much of CAS, but note cost of money can be recovered under FAR 31.205–10. FAR 31.205–10(b)(1) requires CAS 414 be followed when cost of money is proposed and claimed. The requirement to treat all leases as finance (capital) leases under IFRS will result in contractors applying IFRS having unallowable interest and not allow the net book value of right-to-use leased assets to be included in the cost of money calculation. They recommended the Board provide for the recognition of interest for CAS purposes. They believe this will not only address the current issue faced by contractors applying IFRS, but it will also address any future changes made by the FASB as the GAAP and IFRS are brought into conformity with each other.

Response: The Board appreciates this comment and the underlying concerns raised. However, the Board does not consider them to be within the scope of this rulemaking and has not incorporated them into the final rule. The Congressional mandate and focus of the Board are on conformance of CAS with GAAP, not IFRS. In regards to concerns about potential future GAAP changes to achieve alignment with IFRS the Board has commitment to monitor future changes to GAAP and FAR to identify and evaluate their impact to CAS and revise CAS as necessary, through the rulemaking process (see 85 FR 15817 March 19, 2020).

Comment: One commentor asserted conformance efforts related to lease accounting should be treated as required and exempted from the cost impact process.

Response: As noted in the NPRM, the exemption contemplated by the Board was limited to the potential changes with conformance of the definition of Operating Revenue. The Board has not identified any instance where the clarifications provided to the treatment of ROU leases for CAS purposes would trigger any accounting practices changes by a contractor. The commentor did not dispute this or provide any example for the Board to consider. As such, having identified no cost accounting practice changes as a result of the treatment of ROU leases the exemption in the final rule is limited to conformance of the definition of Operating Revenue, and any changes a contractor initiates unilaterally related to asset accounting would continue to be subject to disclosure and the established cost impact process.

C. Final Rule. Based on public comment and additional research conducted by the Board, the Board has concluded that clarifications to CAS are necessary to avoid confusion or inconsistent treatment about which assets should be included in the calculations of FCCOM as a result of changes in GAAP related to lease accounting. Therefore, the Board is issuing a final rule clarifying which assets should be included in the calculations of FCCOM, and conforming clarifications related to the calculation of the three-factor formula allocation base. The final rule adopts language in the NPRM with additional clarification. The Final Rule limits the changes of definitions to only intangible assets in 48 CFR 9904.414–30(a)(4) and 9904.417–30(a)(1), and makes a conforming change in 48 CFR 9904.403–50(c)(1)(iii). The Final rule also adds language in Appendix A. of 9904.414, in the Instructions for Form CASB CMF to reflect these changes.

IV. Expected Impact of the Rule

The final rule is deregulatory in furtherance of 41 U.S.C. 1501(c), which requires the Board ensure that the cost accounting standards used by Federal contractors rely, to the maximum extent practicable, on commercial standards and accounting practices and systems. In addition, 41 U.S.C. 1501(c) requires the Board to conform CAS requirements, where practicable, to GAAP. The elimination of “operating revenue” as historically defined in CAS and the reliance of “revenue” reported in compliance with GAAP for CAS purposes reduces the regulatory footprint associated with CAS and places reliance on commercial accounting practices under GAAP. This change is expected to reduce burden for

contractors, external auditors, and government auditors and oversight functions by reducing the need for duplicative compliance activity related to revenue calculations. The rule also clarifies CAS definitions to make clear that GAAP changes on lease accounting are not recognized for CAS purposes. This clarification will avoid unnecessary ambiguity, friction and disputes between the parties. These changes, both individually and in conjunction with the Board’s ongoing broader CAS/GAAP conformance efforts and modernization of CAS programmatic requirements, are expected to simplify CAS administration and reduce barriers to entry for nontraditional contractors, including new mid-size entities who no longer qualify as small businesses. These actions should promote greater competition in federal contracting, as envisioned by the Senate Armed Services Committee in promoting CAS/GAAP conformance (S. Rept. 114–25 Section 811): “The committee is concerned that the current cost accounting standards favor incumbent defense contractors and limit competition by serving as a barrier to participation by non-traditional, small business, and commercial contractors. To level the competitive playing field to access new sources of innovation it is in the government’s interest to adopt more commercial ways of contracting, accounting, and oversight”.

V. Regulatory Flexibility Act

CAS Board rules do not impact small entities within the meaning of the Regulatory Flexibility Act 5 U.S.C. 601–612. Contracts and subcontracts with small business concerns are exempted from all CAS requirements.

VI. Executive Orders 12866, 13563 and 14192

Executive Orders (E.O.s) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This is a significant regulatory action under E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is a deregulatory under E.O. 14192 based on the discussion in the “Expected Impact of the Rule” section.

VII. Paperwork Reduction Act

The Paperwork Reduction Act, Public Law 96–511, does not apply to this rule, because this rule imposes no paperwork burden on offerors, affected contractors and subcontractors, or members of the public which requires the approval of OMB under 44 U.S.U.S.C. 3501, *et seq.*

List of Subjects in 48 CFR Parts 9903 and 9904

Government procurement, Cost accounting standards.

Mathew Blum,

Acting Administrator, Office of Federal Procurement Policy, and Acting Chair, Cost Accounting Standards Board.

For the reasons set forth in the preamble, the Office of Federal Procurement Policy amends 48 CFR parts 9903 and 9904 as set forth below:

PART 9903—CONTRACT COVERAGE

■ 1. The authority citation for part 9903 continues to read as follows:

Authority: Public Law 111–350, 124 Stat. 3677, 41 U.S.C. 1502.

■ 2. Add section 9903.201–9 to read as follows:

§ 9903.201–9 Treatment of certain compliant cost accounting practice changes related to conformance of CAS to GAAP.

(a) Conformance of CAS Operating Revenue to GAAP Revenue. The contract price and cost adjustment requirements of part 9903 are not applicable to changes directly associated with conformance of operating revenue to revenue reported in accordance with GAAP. This exemption only applies to current disclosed practices where a contractor is required to use the three-factor formula prescribed in CAS 403 for residual expenses, or where their current disclosed and compliant accounting practice includes revenue as a basis for allocating costs to cost objectives. Any change a contractor makes related to their current practice that would make a change to or from using revenue as a basis for allocation would be treated as a unilateral change and subject to the normal cost impact and resolution process.

(b) [Reserved].

§ 9903.301 [Amended]

■ 3. Section 9903.301 is amended in paragraph (a) by removing the definition “operating revenue”.

PART 9904—COST ACCOUNTING STANDARDS

■ 4. The authority citation for part 9904 continues to read as follows:

Authority: Pub. L. 100–679, 102 Stat. 4056, 41 U.S.C. 422.

§ 9904.403–30 [Amended]

■ 5. Section 9904.403–30 is amended by removing and reserving paragraph (a)(3).

§ 9904.403–40 [Amended]

■ 6. Section 9904.403–40 is amended by removing the word “operating” in paragraph (c)(2) wherever it appears.

■ 7. Section 9904.403–50 is amended by revising paragraphs (c)(1)(ii) and (c)(1)(iii) to read as follows:

§ 9904.403–50 Techniques for application.

* * * * *

(c) * * *

(1) * * *

(ii) The percentage of the segment’s revenue to the total revenue of all segments. For this purpose, the method used for determining revenue for financial accounting shall be used. The revenue, however, of any segment shall include amounts charged to other segments and shall be reduced by amounts charged by other segments for purchases.

(iii) The percentage of the average net book value of the sum of the segment’s tangible capital assets, plus right-of-use assets acquired in finance leases, plus inventories to the total average net book value of such assets of all segments. Property held primarily for leasing to others shall be excluded from the computation. The average net book value shall be the average of the net book value at the beginning of the organization’s fiscal year and the net book value at the end of the year.

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■ 8. Section 9904.414–30 is amended by revising paragraph (a)(4) to read as follows:

§ 9904.414–30 Definitions.

(a) * * *

(4) *Intangible capital asset* means an asset that has no physical substance, has more than minimal value, and is expected to be held by an enterprise for

continued use or possession beyond the current accounting period for the benefits it yields. It includes right-of-use assets acquired under leases.

* * * * *

■ 9. Appendix A to 9904.414 is amended by revising the paragraph under the undesignated center heading “Recorded, Leased Property, Corporate,” to read as follows:

Appendix A to 9904.414—Instructions for Form CASB CMF

* * * * *

Recorded, Leased Property, Corporate

The net book value of facilities capital items in this column shall represent the average balances outstanding during the cost accounting period. This applies both to items that are subject to periodic depreciation or amortization and also to such items as land that are not subject to periodic write-offs. Unless there is a major fluctuation, it is adequate to ascertain the net book value of these assets at the beginning and end of each cost accounting period, and to compute an average of the beginning and ending values. “Recorded” facilities are the capital items owned by the contractor, carried on the books of the business unit, and used in its regular business activity. “Leased property” is the capitalized value of leases for which constructive costs of ownership are allowed in lieu of rental costs under Government procurement regulations, including right-of-use assets acquired in a finance lease, but excluding right-of-use assets acquired in an operating lease. Corporate or group facilities are the business unit’s allocable share of corporate-owned and leased facilities. The net book value of items of facilities capital which are held or controlled by the home office shall be allocated to the business unit on a basis consistent with the home office expense allocation.

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■ 10. Section 9904.417–30 is amended by revising paragraph (a)(1) to read as follows:

§ 9904.417–30 Definitions.

(a) * * *

(1) *Intangible capital asset* means an asset that has no physical substance, has more than minimal value, and is expected to be held by an enterprise for continued use or possession beyond the current accounting period for the benefits it yields. It includes right-of-use assets acquired under leases.

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